

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-323-G - ORDER NO. 2014-683

AUGUST 21, 2014

Request of Piedmont Natural Gas Company,)	ORDER GRANTING ONE-
Inc. for Limited Waiver of Rate Schedule)	TIME LIMITED WAIVER
206 Billing Procedures (Section 58-5-210)	OF CERTAIN GAS
and Reg. 103-403))	BILLING PROCEDURES

This matter comes before the Public Service Commission of South Carolina (“the Commission”) pursuant to South Carolina Code Ann. § 58-5-210 and Commission Rule 103-403, on the request of Piedmont Natural Gas Company, Inc. (“Piedmont” or “the Company”) for an order granting Piedmont a one-time limited waiver of its Rate Schedule 206 billing procedures for “Emergency Service.” This Service was received by two Piedmont interruptible transportation customers during the extreme cold weather experienced in the month of January 2014, during which Piedmont had Operational Orders in effect restricting customer utilization of gas. In particular, Piedmont seeks authorization to waive the Rate Schedule 206 requirement that its curtailed interruptible transportation customers pay the commodity index component of the formula rates specified for “Emergency Service” during periods where such customers were curtailed and during which they provided their own gas to Piedmont’s system to support Emergency Service.

The Company notes that, during the month of January 2014, South Carolina

experienced several extended periods of extremely cold temperatures caused by so-called polar vortex events. In response to the forecasts predicting these events, Piedmont issued a series of “Operational Orders,” which directed customers to take certain actions to restrict or modify their utilization of natural gas during anticipated periods of very high demand. These orders were issued by Piedmont in order to ensure the stability of its system, and to preserve its ability to make delivery of natural gas to its firm, high priority, heat sensitive customers during such events of extreme demand. In addition to these orders, Piedmont also states that it directly contacted certain interruptible sales and transportation customers at various times during the month of January and directed them to cease using gas. These directions to specified interruptible customers to temporarily terminate the use of gas were, in all cases, the result of prevailing pressure conditions on Piedmont’s system in the vicinity of the impacted customers and were, according to the Company, undertaken to preserve Piedmont’s ability to maintain firm service on the affected part of Piedmont’s system.

Piedmont states that these geographically limited interruptions of service occurred on nine days during the month of January 2014 and involved three Piedmont customers receiving interruptible transportation service under Rate Schedule 214. Under Piedmont’s tariffs, customers subject to interruption have the right to request “Emergency Service” in order to avoid interruption. The provision of such service is within the discretion of Piedmont and is only made available if it will not threaten the continued provision of service to Piedmont’s firm customers.

Significantly, Piedmont points out that Emergency Service represents an

alternative discretionary commercial arrangement for the provision of natural gas service during periods where interruption of service would otherwise be required. It does not, in any way, however, reflect the utilization of natural gas in violation of Piedmont's tariffs.

Pursuant to Piedmont's Rate Schedule 206, Emergency Service is subject to a rate which consists of three components: (1) a transportation or sales rate depending on whether the underlying service is provided under Rate Schedule 204 or Rate Schedule 214; (2) a premium charge of \$1.00 per therm reflecting the extraordinary nature of the service; and (3) a compensatory commodity rate calculated as the higher of two commodity indexes applicable to the period of service.

Piedmont states that the interruption of service is a voluntary act by Piedmont's customers in response to a Piedmont directive to cease utilizing gas service. According to the Company, this is the result of the fact that Piedmont does not have electronically controlled flow valves in place at every Rate Schedule 204 and Rate Schedule 214 customer location and, instead, relies on a customer's good faith compliance with Piedmont's Operational Orders. In the face of such an order, any continued utilization of gas by an interruptible customer is prohibited and constitutes the receipt of "Unauthorized Gas" by that customer.

The specific days upon which Piedmont directed specified interruptible customers to cease using gas were January 6th – 8th, January 23rd – 24th, and January 27th – 30th ("Curtailment Days"). During the specified Curtailment Days, two customers receiving service under Rate Schedule 214 requested and received Emergency Service. The total quantity of Emergency Service provided by Piedmont during the Curtailment Days was

11,470 therms. This quantity of gas was *de minimus* in nature compared to the total system throughput in South Carolina during the Curtailment Days of approximately 16 million therms. In each case, the Emergency Service quantities received by these transportation customers were matched by equivalent quantities of gas received by Piedmont at its Transco citygate delivery points for their respective accounts.

During the Curtailment Days, Piedmont notes that the higher of the two commodity price indices identified in Piedmont's Rate Schedule 206 and applicable to Emergency Service were as follows:

Date	Commodity Price
January 6, 2014	\$1.0775/therm
January 7, 2014	\$7.1140/therm
January 8, 2014	\$2.8835/therm
January 23, 2014	\$8.3015/therm
January 24, 2014	\$3.7700/therm
January 27, 2014	\$5.3515/therm
January 28, 2014	\$8.3300/therm
January 29, 2014	\$2.7240/therm
January 30, 2014	\$1.2875/therm

According to Piedmont, this pricing for natural gas was unprecedented, representing a per dekatherm cost of gas ranging from roughly \$11/dt up to a price of more than \$83/dt. In comparison, Piedmont's Benchmark Cost of Gas was only \$4.25/dt or \$0.425/therm during this period.

Following the end of this service period, Piedmont assessed its billings for the Emergency Service received during the Curtailment Days. In doing so, Piedmont took note of the following factors: (a) the per therm commodity rates under the two daily pricing indices identified in Rate Schedule 206 were extremely high and in some cases

more than twentytimes Piedmont's actual cost of gas for the month of January 2014; (b) Piedmont did not actually purchase any gas on the daily market during the month of January for its transportation customers and did not incur any material incremental gas costs in providing Emergency Service during the Curtailment Days; (c) for each day during the Curtailment Days that Piedmont made deliveries to Rate Schedule 214 Emergency Gas customers, an equivalent amount of natural gas was received by Piedmont for the accounts of these customers at Piedmont's interconnect points with upstream pipeline suppliers; (d) Piedmont did not seek out or obtain incremental supplies of gas specifically for the purpose of providing its Rate Schedule 214 customers with Emergency Service because those customers agreed to provide their own gas at Piedmont's request; (e) the cost to Emergency Gas customers associated with charges under the Rate Schedule 206 "higher of commodity index prices" component would be extremely punitive in this instance because of the extraordinary price spikes experienced in downstream markets during the Curtailment Days. In the face of these factors, and after significant internal discussion, Piedmont notes that it reached the conclusion that assessing customers that portion of the Rate Schedule 206 rates intended to keep Piedmont whole for potential incremental purchases of replacement gas -- i.e. the commodity rate calculated as the higher of two commodity indexes applicable to the period of service -- was disproportionately punitive to its customers and not otherwise reasonable. Based on this conclusion, Piedmont billed these customers the underlying tariff rates for the transportation service they received and also billed them the premium portion of Rate Schedule 206 rates (\$1.00 per therm for Emergency Service).

Piedmont now seeks corresponding Commission authorization to waive that portion of its Rate Schedule 206 rates that would otherwise require the assessment of commodity index charges, at extraordinarily high levels, where no corresponding costs were actually incurred by Piedmont. In making this request, Piedmont is mindful that it is at variance with the express language of its Rate Schedule 206, but believes that it is consistent with the intent of that tariff and is otherwise reasonable under the totality of the circumstances in this case. Piedmont also advises the Commission that while it intended to file proposed tariff revisions with this Petition, it is still in the process of discussing those provisions with the Office of Regulatory Staff, and requests leave to file those revisions for Commission approval after completing its ongoing discussions with the ORS. Accordingly, Piedmont respectfully requests that the Commission enter an order empowering and permitting Piedmont to waive Rate Schedule 206 billing procedures on a one-time basis to the extent proposed herein, and permitting Piedmont to file any proposed tariff revisions following completion of discussions regarding those tariff revisions with the Office of Regulatory Staff (ORS). ORS has no objection to the requested waiver described herein.

We would note that 10 S.C. Code Ann. Regs 103-403(A) (2013) states that all rates, tolls and charges proposed to be put into effect by any gas utility shall be first approved by the Commission before they shall become effective, unless they are exempt from such approval by statute, Order of this Commission, or other provisions of law. The failure of the Company to assess the commodity index charges in Rate Schedule 206 is not exempt from Commission approval. However, 10 S.C. Code Ann. Regs 103-401(3)

(2013) notes that, in any case where compliance with any of the Commission's rules and regulations introduces unusual difficulty or where circumstances indicate that a waiver of one or more rules or regulations is otherwise appropriate, such rules or regulations may be waived by the Commission upon a finding by the Commission that such waiver is not contrary to the public interest. We do agree that a one-time limited waiver of the designated Rate Schedule 206 billing charges as described by Piedmont should be granted. Clearly, the waiver is not contrary to the public interest in this case. Here, we agree that charging "the higher of the commodity index prices" component of the Schedule would have been punitive because of the extraordinary price spikes experienced in downstream markets during the Curtailment Days. Further, no corresponding costs were actually incurred by Piedmont. Accordingly, the assessment of commodity index charges required by Rate Schedule 206 is waived in this instance.

Piedmont has stated that it has been in the process of discussing certain proposed tariff revisions with ORS because of the situation described herein, but has not filed such revisions. Although we grant the requested one-time waiver, we believe and hold that the Company should continue to collaborate with the Office of Regulatory Staff to revise Rate Schedule 206 and that the Company should file such revised tariff with the Commission as soon as possible. This will benefit both the Company and its customers, should similar situations to the one before us occur in the future.

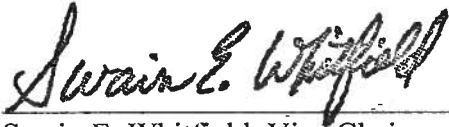
This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



Nikiya Hall, Chairman

ATTEST:



Swain E. Whitfield, Vice Chairman
(SEAL)